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Businesses That Create New Jobs Tax Credit

Businesses located in Maryland that create new positions and establish or expand business facilities in the state may be entitled to a tax credit. To be eligible for the tax credit, businesses must first have been granted a property tax credit by a local government of Maryland for creating the new jobs.

The credit may be taken against corporate income tax, personal income tax or insurance premiums tax. The credit may be applied to only one of these tax types in addition to the property tax.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

To qualify for the credit:

The business must create at least 25 new positions as part of the new or expanded business facility in Maryland (5,000 square feet or more). Businesses located in smaller counties (population of 30,000 or less) must create at least 10 new positions.

An *enhanced credit* is instead available for businesses that create or expand a new business facility in Maryland of 250,000 square feet or more and:

- Continue to employ 2,500 employees and create 500 new positions that pay at least 150% of the minimum wage; or
- Create 1,250 new positions that are paid at least 150% of the minimum wage.

In Montgomery County only, a business can:

- Spend at least \$150 million to obtain at least 700,000 square feet of new or expanded business premises through the purchase, construction, or lease of a new premises; and
- Employ at least 1,100 individuals including at least 500 new, permanent full-time positions. All of the positions must receive employer-provided subsidized health care benefits, be paid at least 150% of the minimum wage, and be located in or neighboring the new, expanded or renovated premises.

The new positions must be:

- Located in Maryland.
- Part of the new or expanded business facility in Maryland.
- Permanent.
- Full time of indefinite duration. In Montgomery County and Washington County for tax years 2007 and later, the position can be a contract position of definite duration lasting at least 12 months with an unlimited renewal option; and
- Filled for at least one year.

The business must then apply for and receive certification for a property tax credit from the local government in which the facility is located.

The county or city government will notify the **State Department of Assessments and Taxation (SDAT)** that the property tax credit has been approved. SDAT will calculate and certify the amount of the allowable tax credit to the Comptroller.

How the credit is calculated:

The credits are calculated as a percentage of the local property tax liability on the new or expanded portion of the facility. Those percentages are as follows:

Property Tax Credit:

- 1st and 2nd taxable years: 52%
- 3rd and 4th taxable years: 39%
- 5th and 6th taxable years: 26%
- Remaining taxable years: 0%

Credit against the personal or corporate income tax, or the insurance premiums tax:

- 1st and 2nd taxable years: 28%
- 3rd and 4th taxable years: 21%
- 5th and 6th taxable years: 14%
- Remaining taxable years: 0%

The enhanced property tax credit is a flat percentage of 58.5% for the local property tax credit and 31.5% for the state tax credit in each of the first 12 tax years.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next five (5) taxable years.

Documentation required:

A copy of the certification issued by the local government must be submitted with Form 500CR. Form 500CR must be submitted with the appropriate Maryland Income Tax Return - Form 500 for Corporations, Form 510 for Pass-Through Entities and Form 502 or 505 for Individuals.

Insurance premium tax:

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, and a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit is taken.

Contact:

State Department of Assessments and Taxation
301 W. Preston Street
Baltimore, MD 21201-2395
Phone: 410-767-1191
E-mail: taxcredits@dat.state.md.us

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